

AA Motoring Trust asks Chancellor for targeted pain relief on motoring taxes

An out-of-date 10 tax surcharge on diesel car ownership should be lifted in Wednesdays Budget, says The AA Motoring Trust.

In addition, the mileage rate tax threshold for up to three million British workers who allow their cars to be used for business should also be raised from 40 to 45 pence per mile, the AA Trust argues.

Removing the five-year-old diesel car tax surcharge is easily affordable by the Treasury, which enjoys a halfpenny-per-litre VAT windfall from diesel now being consistently four pence per litre more expensive than petrol. Diesel cars emit up to 20 per cent less carbon dioxide than petrol, with particulate and toxic emissions a fraction of what they were in 1992*.

On mileage allowances paid for using a private car on business, The AA Motoring Trust believes that the UK needs to follow the US Internal Revenue Services example** and raise the taxable threshold. Employees who volunteer their cars for use in business and community work, such as district nurses and health visitors, have seen their pay eroded by the 12 per cent increase in the price of car fuel over the past year***.

Overall, the volatility of crude oil prices and its impact on car fuel prices and inflation means that car fuel duty in general must remain frozen. Increases in car fuel prices impact significantly on high street spending as families cut back on non-essential expenditure to afford necessary car journeys.

"In 2000, fears of particulate and toxic emissions from diesel cars spurred the Chancellor to add 10 to the annual road tax of diesel cars. With seven Euro IV diesel cars needed to produce the particulate emissions of one 1992 diesel car, the 10 surcharge is clearly no longer justified," says Paul Watters, head of roads and transport policy for The AA Motoring Trust.

"The 40 pence per mile taxable threshold on car mileage rates is five pence short of what millions of British workers need to recoup the cost of providing their cars to employers. Scrupulous employers, who know they are insulated from effect of high petrol prices and spared the costs of running a car fleet, often want to pay mileage rates that reflect the real cost of running a car. However, once they pay over 40 pence per mile, nearly a quarter goes straight to the Chancellor and employees are out of pocket again."

Watters adds: "With regard to 4x4s, The AA Motoring Trust supports a marginally higher rate of Vehicle Excise Duty (VED) on vehicles with CO2 emissions above 250g/km. This would include some sports cars and people carriers. However, any blanket raising of VED against 4x4s would penalise rural communities that rely on them for difficult road conditions and load-carrying requirements. A 250g/km threshold would probably give them the option of buying a less polluting version of their chosen vehicle, without penalty."

NOTES TO EDITORS: In the 1999 Budget, the Chancellor announced a system of graduated Vehicle Excise Duty based primarily on carbon dioxide emissions, to be introduced on 1 March 2001. In the 2000 Budget, the Chancellor announced "a small supplement on diesel cars to reflect their higher emissions of particulates and other local air pollutants".

* A comparison of NOx and particulate emission standards from 1992 to the proposed Euro 5 level is available at:

[Wikipedia diesel car emissions graphic](#)

** The United States Department of the Treasury announced its 2006 standard mileage rates in December 2005:

<http://www.irs.gov/newsroom/article/0,,id=151226,00.html>

*** The AA Motoring Trusts report on the viability of the current level of approved mileage rate in the UK is available at:

http://www.aatrust.com/files/reports/01102005_Approved_Mileage_Rates.pdf

Numbers of private cars used on business, by mileage (2001):

Cars up to 1500cc

0 - 1,999 miles 830,000
2,000 - 3,999 230,000
4,000 - 7,499 140,000
7,500 - 9,999 30,000
Over 10,000 40,000
Total 1,270,000

Cars at 1500-2000cc

0 - 1,999 miles *880,000*

2,000 - 3,999 *230,000*

4,000 - 7,499 *190,000*

7,500 - 9,999 *60,000*

Over 10,000 *130,000*

Total *1,580,000*

Cars over 2000cc

0 - 1,999 miles *80,000*

2,000 - 3,999 *30,000*

4,000 - 7,499 *20,000*

7,500 - 9,999 *20,000*

Over 10,000 *40,000*

Total *190,000*

Institute of Advanced Motorists

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